Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

	)	GEN Docket No. 90-314
	)	ET Docket No. 92-100
In the Matter of	)	
	)	
	)	RM-7140, RM-7175, RM-7617,
	)	RM-7618, RM-7760, RM-7782,
Amendment of the Commission's	)	RM-7860, RM-7977, RM-7978,
Rules to Establish New Personal	)	RM-7979, RM-7980
Communications Services	)	
	)	PP-35 through PP-40, PP-79
	)	through PP-85

REPLY COMMENTS

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SUMMARY

In its opening comments, GTE documented important public policy reasons for maximizing entry opportunities and allowing open participation by all qualified applicants in Personal Communications Services ("PCS"). The record now before the Commission provides compelling evidence that artificial regulatory limits on the number of service providers and barriers to cellular or telephone company entry into PCS would seriously disserve the public interest. In particular, to the extent warranted by quantified demand, GTE is joined by a wide range of commenters in urging the Commission to establish five 20 MHz allocations in each market and to encourage -- rather than prohibit -- cellular and telephone company involvement in new wireless services.

The recent Office of Plans and Policy ("OPP") working paper on the cost structure of PCS sets forth economic analyses corroborating the policies advocated by GTE. The paper concludes that "the strong economies of scope found between PCS and . . . cellular service[] demonstrate that consumers could benefit from allowing these companies to hold PCS licenses." The OPP paper also confirms GTE's position that allocation of PCS spectrum to local exchange companies would benefit consumers without raising anticompetitive risks. Finally, the OPP paper provides information showing the economic feasibility of GTE's recommended licensing of 20 MHz allocations for five PCS providers.

With respect to the appropriate service areas for PCS, GTE is joined by the vast preponderance of commenters in advocating the use of Metropolitan Statistical Areas ("MSAs") and Rural Service Areas ("RSAs"). The advantages of MSAs and RSAs in terms of allowing numerous entry opportunities, conforming to the localized nature of PCS, and avoiding pitfalls of untried approaches are underscored by numerous parties. In such respects, MCI's proposal for a "national consortium" proposal is tailored to advance its own interests while excluding its major long-distance competitors as well as the cellular and telephone industries from competing for PCS licenses. As documented below, MCI's consortium would impose a government-mandated industry structure that is unworkable, impracticable and contrary to the Commission's basic PCS policy objectives.

Events occurring since the comment filing date provide an added imperative for Commission policies that ensure parity between competing existing telecommunications services and new PCS offerings. The U.S. Court of Appeals in AT&T v. FCC has held that all common carriers must tariff their interstate offerings. In contrast, competing private carrier services are excused from such burdens. The Commission must address and reconcile these disparate regulation problems in fashioning a comprehensive framework for the telecommunications industry.

With respect to unlicensed wireless devices, the Commission has proposed to allocate 20 MHz of spectrum at 1910-1930 MHz. GTE strongly

urges that any such allocation be made consistent with ensuring truly low-power operations. This is essential to prevent interference and to adhere to the vision of such offerings articulated in the Notice.

Finally, the Commission's efforts to make PCS a reality require careful prior consideration of a number of threshold matters. Initially, the nature and extent of consumer demand for PCS cannot simply be assumed but must be founded upon real-world market tests like those being conducted today by GTE. Similarly, effective deployment of PCS cannot occur unless Commission policies take full account of the relationship between new services and the established cellular, telephone and cable television infrastructures. Full and comprehensive considerations of these factors will help ensure the rapid and effective deployment of new wireless services for our nation's consumers.

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REPLY COMMENTS

GTE Corporation, on behalf of the GTE Telephone Operating Companies ("GTOCs") and GTE Mobile Communications ("GTE Mobilcom") (collectively, "GTE"), hereby replies to the comments filed with respect to the above-captioned Notice of Proposed Rule Making and Tentative Decision.[1] The Commission's Notice proposes to allocate and license spectrum for a new family of Personal Communications Services ("PCS"). The opening comments provide compelling support for PCS policies that maximize entry opportunities and allow for the full participation by all industry sectors, including the nation's cellular and local exchange telephone service providers, under ground rules that ensure regulatory parity in the

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[1] Amendment of the Commission's Rules to Establish New Personal Communications Service, 7 FCC Rcd 5676 (1992) ("Notice" or "NPRM"). The FCC amended its Notice by an Erratum, 7 FCC Rcd 5779 (1992). Opening round comments were due on November 9, 1992. The date for the filing of reply comments was extended to January 8, 1993. Order Extending Time for Reply Comments, DA 92-1600 (Nov. 24, 1992).

telecommunications marketplace. As documented below, sound allocation and licensing policies will also require careful Commission attention to threshold issues concerning the nature and extent of demand for PCS as well as its relationship to the established cellular, telephone and cable television infrastructures.

I. THE OPENING COMMENTS AND THE OFFICE OF PLANS AND POLICY WORKING PAPER CONFIRM THE PUBLIC INTEREST BENEFITS OF MAXIMIZING ENTRY OPPORTUNITIES AND ALLOWING OPEN PARTICIPATION IN NEW PERSONAL COMMUNICATIONS SERVICES.

The Commission is engaged in the challenging task of attempting to develop the spectrum allocation and regulatory ground rules for new and untested Personal Communications Services. As the Commission's experience shows, the anticipated marketplace response to innovations is difficult to predict. The cellular service has been successful beyond all reasonable expectations. The Digital Electronic Message Service was not. Faced with spectrum scarcity, the Commission can and should take great care to ensure that its allocation policies are premised upon real-world considerations rather than conjecture.

The Notice offers very specific allocation and licensing proposals premised upon an assumed demand for PCS and without regard to related infrastructure issues. This has created a dilemma for GTE and other

commenters who believe that demand and infrastructure assessments should precede and shape allocation and regulatory structure decisions. However, rather than forego an opportunity to address issues raised in the Notice, GTE has set forth in its opening comments and below very detailed responses to questions posed in the rulemaking proceeding. In so doing, however, GTE remains of the fundamental view that sound PCS policies for the future will ultimately be dependent upon basic threshold factors that the Notice has seemingly shunted to the side for now.

A. The Opening Comments Document The Extensive Benefits Of Maximizing Entry Opportunities.

1. There is substantial support for authorizing five PCS operators per service area.

In its opening comments, GTE recommended that the Commission seek to maximize competitive entry opportunities into new Personal Communications Services.[2] Based on the amount of spectrum tentatively made available by the Notice for PCS, GTE concluded that establishing only three allocations for licensed operations, as proposed in the Notice,[3] seems unduly restrictive.[4] Rather, to the extent that the Commission is

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[2] GTE Corporation Comments ("GTE Comments") at 28.

[3] NPRM at 5690.

[4] GTE Comments at 28.

considering a total allocation of 100-120 MHz, five blocks of licensed spectrum, each with an allocation of 20 MHz, are technically feasible.[5]

The opening comments of other parties strongly support the conclusion that the Commission's PCS licensing policies should afford maximum entry opportunities. Numerous commenters demonstrate that licensing as many PCS providers as possible, consistent with spectrum limitations, will best serve the public interest.[6] As explained by BellSouth, the advantages to a five-licensee scheme, designed to promote the maximum amount of competitive entry, include:

- Diversity of service, as licensees attempt to differentiate their services and serve "niche" markets, either in type of service offered or in geographic region served;
- Greater universality of service;
- Accelerated speed of deployment; and

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[5] Id. at 28-29.

[6] E.g., Adelphia Communications Corporation and Newchannels Corporation ("Adelphia/Newchannels") at 4; Alltel Companies ("Alltel") at 12-15; American Telephone and Telegraph Company ("AT&T") at 10-11; Bell Atlantic Personal Communications, Inc. ("Bell Atlantic") at 32-35; PCS Comments of BellSouth ("BellSouth") at 20-23; People of the State of California and the Public Utilities Commission of the State of California ("CalPUC") at 1-2; Cellular Communications, Inc. ("CCI") at 2, 7; Cellular Telecommunications Industry Association ("CTIA") at 28-30; Centel Corporation ("Centel") at 10; Comcast PCS Communications, Inc. ("Comcast") at 18-21; McCaw Cellular Communications, Inc. ("McCaw") at 5-12; National Rural Telecom Association and Organization for the Protection and Advancement of Small Telephone companies ("NRTA/OPASTCO") at 4; National Telecommunications and Information Administration ("NTIA") at 6-7; New York Department of Public Service ("NYDPS") at 5-8; NYNEX Corporation ("NYNEX") at 26-27; Pass Word, Inc. at 2-3; Rural Cellular Corporation ("Rural Cellular") at 1-2; Telephone and Data Systems, Inc. ("TDS") at 5-8; United States Department of Justice ("DOJ") at 3-4, 7-10; United States Small Business Administration, Chief Counsel for Advocacy ("USSBA") at 10-12.

- Improved spectrum efficiency.[7]

A few parties assert that the Commission should artificially limit the number of PCS licensees to only two or perhaps three licenses per market.[8] The stated goal of this manipulation of market participation is to increase the value of PCS licenses and their economic attractiveness. There is, however, no shortage of PCS aspirants,[9] and the Commission has long ago discarded this deleterious form of market management.[10]

In contrast, virtually every governmental body filing comments endorsed policies maximizing competition. The Department of Justice, for example, urges the Commission to promote and rely on competition in the PCS marketplace. DOJ states that, "[i]f enough firms can enter PCS businesses, the operation of market forces expressed in competition and entrepreneurial innovation, rather than regulation, can best drive licensee decisions as to service offerings, price and innovation."[11] Accordingly,

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[7] BellSouth at 22-23.

[8] E.g., American Personal Communications ("APC") at 15-18; Ericsson Corporation ("Ericsson") at 7-8; PCN America, Inc. ("PCNA") at 5; PerTel, Inc. ("PerTel") at 3-4, 6; Rolm at 13-16.

[9] The number of comments filed in this proceeding reflect the high level of interest in PCS offerings. In addition, the Commission has granted over 150 experimental authorizations that contemplate some form of PCS operations. NPRM at 5684.

[10] Petition for Reconsideration of Amendment of Parts 2 and 73 of the Commission's Rules Concerning the Use of Subsidiary Communications Authorization, 55 Rad. Reg. 2d (P&F) 1607, 1614 (1984), recon. denied, 57 Rad. Reg. 2d (P&F) 1683 (1985), rev'd on other grounds, California v. FCC, 798 F.2d 1515 (D.C. Cir. 1986).

[11] DOJ at 4 (footnote omitted).

"[t]he Department believes that the spectrum to be allocated should be distributed in a manner most likely to give rise to competitive markets."[12]

NTIA shares DOJ's perspective, and urges the Commission, "[i]n determining the initial number of licensed PCS providers within a geographic service area, . . . [to] establish a starting point that errs on the side of more, rather than fewer, service providers."[13] According to NTIA, "the cost of assigning 'too few' licenses -- high rates for service and other characteristics of less than fully competitive market -- could be potentially significant and persistent."[14] On the other hand, according to NTIA, consumers will not be "appreciably harmed" if too many licenses are granted.[15]

The U.S. Small Business Administration comments also document a number of benefits associated with promoting maximum entry opportunities, as follows:

- A freely-competitive market will keep prices low and consumer and small business utilization of PCS high;
- Maximum open entry policies will increase the opportunities for small businesses to participate as providers of PCS;

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[12] Id.

[13] NTIA at 6.

[14] Id. at 7 (footnote omitted).

[15] Id. at 6-7.

- Because current cellular licensees could not dominate such a market, they could be permitted to be PCS operators as well; and

- Multiple entrants will help to ensure rapid deployment of PCS offerings.[16]

In support of achieving the goal of competitive PCS entry, the preponderance of commenters agree with the position taken by GTE that five systems, each with an allocation of 20 MHz, should be authorized.[17] As the comments demonstrate, authorizing five PCS operators per market area[18] will most effectively optimize and balance the four values

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[16] USSBA at 10-11.

[17] E.g., Alltel at 15-16; American Mobile Telecommunications Association, Inc. ("AMTA") at 4; AT&T at 10-11; Bell Atlantic at 38-39; BellSouth at 20-23; CTIA at 28-30; Centel at 10; Chesnee Telephone Company ("Chesnee") at 1; Lincoln Telephone and Telegraph Company ("Lincoln") at 9; McCaw at 6, 10-11; Pennsylvania Public Utility Commission ("Penn. PUC") at 4; Piedmont Rural Telephone Cooperative, Inc., West Carolina Rural Telephone Cooperative, Inc., and Farmers Telephone Cooperative, Inc. ("Piedmont") at 2; Rochester Telephone Corporation ("Rochester") at 13; Rock Hill Telephone Company, Fort Mill Telephone Company, and Lancaster Telephone Company ("Rock Hill") at 4; South Carolina Telephone Association ("SCTA") at 3; Southern New England Telecommunications Corporation ("SNETCO") at 6-7; TDS at 5-8; USSBA at 10-12; United States Telephone Association ("USTA") at 31; Vanguard Cellular Systems, Inc. ("Vanguard") at 3-7.

[18] The Notice proposes "a 10 year license term with a renewal expectancy similar to the one applied to cellular telephone licenses." NPRM at 5707. Pending petitions for reconsideration of the order establishing the cellular renewal policies request the Commission to adopt a "bifurcated" renewal procedure whereby a qualified incumbent would be granted renewal without consideration of competing applications. See BellSouth Corporation Petition for Reconsideration, CC Docket No. 90-358 (filed Feb. 26, 1992); U S West New Vector Group, Inc. Petition for Reconsideration, CC Docket No. 90-358 (filed Feb. 26, 1992). GTE supports adoption of this bifurcated renewal procedure for PCS as well as the cellular service.

enumerated in the Notice: universality; speed of deployment; diversity of services; and competitive delivery.[19]

2. There is substantial support for allocating 20 MHz per licensed PCS system.

Despite claims to the contrary, there appears to be no sound technical reason for allocating more than 20 MHz per licensee. Arguments made in favor of spectrum allocations in excess of 20 MHz per licensee include the claim that: (1) PCS systems should be granted amounts of spectrum equal to cellular system allocations; and (2) "extra" spectrum is needed to permit PCS operations to accommodate incumbent microwave licensees. As detailed below, these rationales are not valid justifications for the Commission arbitrarily to limit the opportunities for maximum competitive entry into the PCS marketplace.

First, some parties claim that allocations of spectrum in excess of 20 MHz are necessary to ensure that PCS systems will be able to compete with cellular offerings.[20] As GTE pointed out in its opening comments, an allocation of 20 MHz to a PCS system in fact could exceed analog cellular

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[19] NPRM at 5679. Consistent with this perspective, the Commission should grant only one license per market to any particular entity or group of entities under common control or ownership. Rules similar to those applied to cellular application processing could serve as the model. See, e.g., 47 C.F.R. § 22.921 (1991). Subsequent to the issuance of licenses, limited consolidations within a market may be permissible. See note 69, infra.

[20] E.g., APC at 7-19; Ericsson at 8-9.

capacity by an order of magnitude.[21] In contrast to cellular operators, PCS licensees will be able to employ digital technologies from the outset. The providers of PCS thus will have expanded system capacity and no practical or legal need to serve user equipment that employs less spectrum-efficient analog technology. Cellular operators, which are now beginning to employ digital technologies in systems originally designed around analog technologies, will be constrained to continue to serve analog handsets in order to satisfy their customers, whether the Commission requires such analog service opportunities or not.[22]

Second, some parties assert that PCS systems must be allocated a substantial block of spectrum in order to permit them to initiate operations while existing licensed microwave users remain in the band.[23] APC and some other PCS proponents, however, have asserted that they can operate

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[21] GTE Comments at 30. As discussed below in Section V.B.2, treating PCS as primarily a cellular alternative and competitor ignores the full potential of PCS and will not most effectively serve the public interest.

[22] GTE anticipates that cellular carriers will need to provide both analog and digital service for years into the future. If a cellular operator were to discontinue analog service at this time, it would lose a number of customers whose handsets can operate only on analog technology. Many roamers could not be served. Moreover, systems in many smaller markets may not have any need to convert to digital for years. CTIA has estimated that, even ten years from now, nearly 16 percent of all subscribers will be analog users. CTIA at 66.

[23] E.g., APC at 7-19; Associated PCN Company ("Associated PCN") at 2-4; Cellular Service, Inc. ("CSI") at 5; Cox Enterprises, Inc. ("Cox") at 8-9; MCI Telecommunications Corporation ("MCI") at 4-8; Omnipoint Communications, Inc. ("Omnipoint") at 11-12; PerTel at 2-6; Time Warner Telecommunications ("Time Warner") at 4-7.

PCS systems that "work around" existing microwave paths.[24] APC, for example, has sought and received a tentative pioneer's preference for its Frequency Agile Sharing Technology ("FAST") that would, in the words of the Notice, "use spectrum not used by existing microwave operations to avoid interference with the microwave operations."[25] This and other spectrum sharing techniques purportedly will permit PCS licensees to work around 2 GHz microwave licensees until their relocation occurs.[26]

Moreover, the Commission can address this claim in an alternative and more effective manner. Specifically, applicants for PCS licenses should submit, as part of their applications, a financial plan for the relocation of

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[24] E.g., APC at 10.

[25] NPRM at 5686. See APC at 10. The Commission tentatively awarded a pioneer's preference to APC, observing that "the FAST technology is one of the central concepts justifying this award." Amendment of the Commission's Rules To Establish New Personal Communications Services, 71 Rad. Reg. 2d (P&F) 683, 686 (1992) (Tentative Decision and Memorandum Opinion and Order). Despite its repeated arguments that the FAST technology will allow sharing of spectrum with existing licensees, APC now claims, having been awarded a tentative pioneer's preference, that PCS licensees require 40 MHz per system to initiate PCS while existing 2 GHz users remain in the bands. Its spectrum request, however, is seemingly inconsistent with the very benefits claimed for its preference.

[26] In addition, the Commission should consider channel equalization techniques to minimize competitive imbalances due to different numbers of 2 GHz microwave licensees in the bands licensed to competing service providers. Associated PCN, for example, has pointed out that different blocks of spectrum contain differing numbers of incumbent microwave users. Associated PCN at 4. Associated PCN concludes that, "it could be inequitable for the Commission to simply license a particular frequency block to each licensee. The block one licensee received might be relatively 'clean' whereas the block the next licensee was assigned might be crowded with incumbent users." Id. In other words, the blocks of spectrum are not necessarily "equal" with respect to their usefulness to PCS licensees. GTE concurs that this is an issue the Commission necessarily must address in considering its PCS licensing policies.

existing microwave licensees. This will demonstrate the PCS operator's commitment to developing a successful system.

Under this requirement, the application would detail how many microwave facilities must be relocated in order for the contemplated system to operate in the proposed 20 MHz band. The number of facilities would be multiplied by an estimated cost of relocation, such as that identified by the Commission's staff in the Emerging Technologies proceeding.[27] The applicant would need to show its financial qualifications to fund this relocation effort, thereby further demonstrating its ability to implement its proposed service in the allocated bandwidth.[28] By adopting this application requirement, the Commission need not grant excessive amounts of spectrum to individual PCS licensees for the purpose of installing systems designed around the existing operations of 2 GHz licensees.

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[27] Creating New Technology Bands for Emerging Telecommunications Technology, FCC/OET TS92-1 (Jan. 1992) ("OET Report"). The OET Report calculated that replacement costs in the private microwave band would amount to approximately $150,000. OET Report at 31-33. This number provides a basis for calculating a financial showing requirement. As GTE explained in its comments in the Emerging Technologies proceeding, the OET estimate of relocation costs is understated. GTE Service Corporation Comments, ET Docket No. 92-9, at 18 (filed June 5, 1992). Nonetheless, the estimate may be useful as a minimum amount for the purpose of determining financial qualifications. This is similar to the approach the Commission took in establishing minimum financial showing requirements for cellular RSA applications. Amendment of the Commission's Rules for Rural Cellular Service, 4 FCC Rcd 2542, 2550 n.7 (1988) (Fourth Report and Order), recon., 6 FCC Rcd 6538 (1991).

[28] The applicant's financial qualifications demonstration in connection with existing licensee relocation would be in addition to the showing of ability to fund construction and operation of the system, as GTE supported in its opening comments. GTE Comments at 57. In addition to reducing the amount of spectrum necessary for allocation to individual PCS systems, this requirement would aid in deterring speculative filings.

3. The experience of Enhanced Specialized Mobile Radio operators confirms that 20 MHz of spectrum or less is sufficient for PCS systems.

As GTE pointed out in its opening comments, the experience of Enhanced Specialized Mobile Radio ("ESMR") providers offers useful insight into the amount of spectrum necessary for PCS systems.[29] Fleet Call, for example, has 14 MHz of spectrum in San Francisco, where it claims it can accommodate 450,000 subscribers using digital Time Division Multiple Access ("TDMA") technology. Moreover, comparable to initial PCS systems, ESMR systems do not have full availability of all channels throughout their service areas, since they must share spectrum with other co-channel Specialized Mobile Radio ("SMR") systems.

Fleet Call itself recommends that the Commission grant 15 MHz each to four PCS systems.[30] According to Fleet Call, "a 15 MHz per licensee assignment would provide each licensee more capacity than today's analog cellular systems through using spectrum conserving technologies, such as six times analog Time Division Multiple Access technology."[31] In light of

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[29] GTE Comments at 31.

[30] Fleet Call Inc. ("Fleet Call") at 9.

[31] Id. Fleet Call further points out that, "[s]ome of the digital technologies being tested by PCS experimental licensees claim even more spectrum capacity. Moreover, the very nature of a PCS microcell configuration should enable highly-efficient frequency reuse further reducing the amount of spectrum required." Id.

the amount of spectrum necessary for ESMR systems and Fleet Call's analysis, an allocation of 20 MHz clearly is technically adequate to support a fully-loaded PCS system, even under an aggressive demand scenario.

In summary, an allocation of 20 MHz per licensee, as advocated by GTE and a preponderance of the commenters, and as supported in the paper prepared by OPP (discussed below), will permit increased opportunities for maximum, competitive participation in the PCS markets, especially as compared to the proposals of those advocating use of 30, 40, or 60 MHz assignments per licensee. Moreover, the record before the Commission contains no showing that an allocation in excess of 20 MHz per licensee is necessary as a technical matter. Accordingly, the Commission should take the action that best furthers the emergence of a robustly-competitive and highly spectrum-efficient PCS marketplace.

B. The Opening Comments Document The Extensive Benefits Of Full Cellular And Telephone Company Participation In PCS.

The comments filed in this docket provide a compelling case for granting full eligibility to cellular carriers and telephone companies to develop and deploy new and expanded Personal Communications Services. In fact, the record before the Commission, replete with descriptions of the benefits to be obtained from such a licensing policy, indicates that the Notice's stated objectives of universality, speed of deployment, diversity of services,

and competitive delivery would be best achieved by affording all technically and financially capable parties -- including cellular and local exchange carriers -- unrestricted eligibility to provide PCS.

1. Cellular carriers should have full eligibility to compete as PCS providers in all markets.

As the Commission recognizes, cellular carriers have demonstrated track records of innovation, performance, and expertise in providing and developing wireless services.[32] In light of cellular operators' considerable managerial, technical and commercial capabilities, many parties, including GTE, believe it would be grossly unjust and inefficient to deny those carriers "who are among the strongest in their ability to advance PCS technology and its deployment to consumers"[33] the opportunity to expand their current offerings in new ways. Thus, these parties stress that cellular carriers must be eligible for PCS licenses within, as well as outside of, their service areas.[34]

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[32] NPRM at 5678.

[33] Bell Atlantic at 5 (emphasis in original).

[34] Alltel at 5-8; Ameritech at 14-17; Anchorage Telephone Utility ("Anchorage Telephone") at 1-5; Bell Atlantic at 5-12; BellSouth at 43-49; CCI at 7-15; Centel at 14-17; Century Cellunet, Inc. ("Century Cellunet") at 2-7; CTIA at 59-69; Florida Cellular RSA Limited Partnership ("Florida Cellular") at 8-10; Freeman Engineering Associates, Inc. ("Freeman Engineering") at 11; Harrisonville Telephone Company ("Harrisonville") at 2-4; Hughes Network Systems, Inc. ("Hughes") at 7-8; Illinois Commerce Commission ("ICC") at 9-10; Interdigital Communications Corporation ("Interdigital") at 12-15; Kerrville Telephone Company ("Kerrville") at 2-6; Lincoln at 8-9; McCaw at 22-33; Point Communications

As numerous commenters point out, there is little merit to the argument that cellular carrier participation in PCS "could lead to anticompetitive behavior."[35] The Commission rejected a similar argument in its cellular proceedings, instead granting wireline local exchange carriers ("LECs") eligibility for cellular licenses within their exchange areas.[36] Likewise, the Commission should act to provide unrestricted eligibility to cellular licensees. Such a policy best serves the public interest for several reasons.

Cellular carriers will contribute to the universality of PCS. Cellular service providers have worked hard to bring service to all regions of the country, a fact recognized by the Commission.[37] These existing networks, along with competitive incentives to which cellular carriers are accustomed, will lead cellular operators to extend offerings of PCS throughout all parts of the country, just as they have done with cellular.

Moreover, cellular licensees "currently providing communications services in a geographic market have built and invested in personnel,

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Company ("Point") at 3; Puerto Rico Telephone Company ("PRTC") at 7-12; Roseville Telephone Company ("Roseville") at 10; Rural Cellular at 3; Rural Independent Coalition at 8-13; SNETCO at 3-6; Southwestern Bell Corporation ("SWB") at 13-15; TDS at 13-22; USSBA at 21-22; Utilities Telecommunications Council ("UTC") at 33-34; Vanguard at 16.

[35] NPRM at 5702.

[36] Cellular Communications Systems, 86 F.C.C.2d 469 (1981).

[37] NPRM at 5678.

goodwill, and infrastructure. They know the peculiarities and mobile wireless needs of the localities they serve."[38] Such market-specific knowledge and previous infrastructure investment will enable cellular carriers to deploy PCS speedily and at lower cost, as economies of scope and scale may be utilized.[39] On the other hand,

> [p]rohibiting cellular licensees from providing PCS would essentially penalize those cellular companies that have been successful in providing communication services; the Commission would be excluding those best able to implement PCS quickly and efficiently. This clearly contravenes the Commission's goal to bring PCS to the public expeditiously and with the least amount of regulatory delay.[40]

Beyond that, "unduly limiting cellular participation would be particularly troublesome because it could stop or slow the natural evolution and growth of cellular into more personal-based mobile services,"[41] thereby adversely affecting the diversity of services. Cellular carriers desire to satisfy their current customers and attract new ones by expanding their available range of services. To do so, the carriers must deploy new services

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[38] CCI at 8. See also BellSouth at 43 (The "two cellular carriers in each area of the United States . . . have established sales networks in their areas for the provision of wireless communications.").

[39] BellSouth at 44-45. At the same time, any "headstart" for cellular carriers is seriously constrained by technical and other limitations on use of the cellular spectrum to provide a full range of PCS offerings, as explained below.

[40] Anchorage Telephone at 5.

[41] SWB at 14.

that may be technically or economically impossible to provide over cellular systems.[42]

In a related manner, "[c]ellular carriers are uniquely positioned to offer a variety of services in conjunction with the existing cellular network that will not initially be attractive to -- or be feasible for -- new entrants . . . ."[43] Due to documented capacity constraints as well as technical and practical limitations,[44] however, these services may not be offered unless the Commission allocates new spectrum to cellular licensees.

Granting full eligibility to cellular carriers to provide PCS will promote competitive delivery. Alltel points out that, "[n]o carrier should be prohibited from providing the full range of services desired by its customers, for this is when the consumer has the most choice, and, therefore, receives the greatest benefit."[45] Clearly, the more types of eligible participants, the greater the range of competition. For these reasons, GTE believes that full

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[42] The Notice recognizes that the PCS concept encompasses a range of potential service offerings. NPRM at 5689. To the extent that the Commission draws distinctions between cellular service and PCS, it should not penalize cellular carriers that are capable of and desire to pursue advanced or alternative service offerings.

[43] McCaw at 30.

[44] BellSouth at 47-48; Century Cellunet at 5-6; CTIA at 65-67; GTE Comments at 40; McCaw at 29-30.

[45] Alltel at 7.

cellular participation in PCS should be adopted and would be highly beneficial to the public.[46]

2. The Commission should grant local exchange carriers unrestricted eligibility for PCS spectrum allocations.

The Notice tentatively concluded that "there is a strong case for allowing LECs to provide PCS within their respective service areas."[47] Because "no other group of companies in the United States is as well positioned in terms of infrastructure, financial means, and telecommunications expertise to provide successful, economical PCS,"[48] GTE and a substantial number of other commenters agree with this approach.[49]

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[46] If the Commission nonetheless restricts cellular participation in PCS, any limitations must be carefully delineated. First, there should not be any bar on filing for PCS spectrum in-market where the cellular carrier elects to divest any prohibitied cellular interests, within a reasonable time, upon receiving a PCS license. See GTE Comments at 41 n.37. Second, the PCS rules should not restrict in any way PCS and cellular interests in the same market where the entity has less than a controlling interest in a cellular system. See, e.g., USTA at 17.

[47] NPRM at 5705-06.

[48] Bell Atlantic at 13.

[49] Alltel at 8-12; Ameritech at 14-17; Anchorage Telephone at 1-5; Bell Atlantic at 12-14; BellSouth at 49-55; Centel at 17-19; Century Cellunet at 8; Chesnee at 1; Cincinnati Bell Telephone ("CBT") at 3-8; Citizens Utilities Company ("Citizens Utilities") at 2-6; Home Telephone Company ("Home") at 3-10; Hughes at 8-9; ICC at 9-10; Interdigital at 15-17; Kerrville at 6-9; Lincoln at 8-9; NRTA/OPASTCO at 6; National Telephone Cooperative Association ("NTCA") at 4; Northern Telecom at 31; NYNEX at 8-16; Pacific Telesis Group ("PacTel") at 9-17; Palmetto Rural Telephone Cooperative, Inc. ("Palmetto") at 3-8; Piedmont at 2; PRTC at 1-3; Rochester Telephone Corporation ("Rochester") at 7-11; Rock Hill at 6-13; Roseville at 3; Rural Independent Coalition at 8-13; Small Rural Virginia Telcos